Down Payment Assistance Program
Operating Manual
2016

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1. Program Overview

The City of Riverside's Down Payment Assistance Program (DPAP) is a homeownership program designed to help low income eligible households with down payment and closing cost assistance to purchase their first home within the City of Riverside.

DPAP funds are allocated on a first come-first served basis, through a formal application process. The program provides first-time homebuyers with necessary purchase assistance for down payment, closing costs, and gap financing. DPAP is available to households earning at or below 80% of the Area Median Income (AMI) for the Riverside County area, with eligibility based upon current and anticipated annual income of all persons that will occupy the home as their primary residence. Purchases must be made within the corporate city limits of Riverside.

2. Down Payment Assistance Program Eligible Expenses

The City of Riverside will provide the buyer(s) with **purchase assistance** funds - down payment, closing costs, and gap financing assistance necessary **to make the home affordable for the buyer(s),** with the following limitations:

a. Closing Costs and Prepaid Items: (NOT TO EXCEED 3% OF THE FIRST DEED OF TRUST LOAN AMOUNT)

DPA can be used to pay for the buyer(s) customary closing costs. All of the following closing costs are eligible for financing, in some degree, through DPA:

- application fee
- loan origination fee
- title insurance
- title search
- credit report fee
- courier fees
- appraisal fee
- home inspection fees*
- survey fee
- recording fees
- attorney's fees
- 1 year home warranty – residential service contract
- document preparation fee
- discount points
- settlement or closing fee
- hazard insurance*
- property tax*
- interest*
- pest inspection (wood destroying insects)*
- lead paint inspection*

**** Limitations on Closing Costs and Prepaid Items:*** *(MAXIMUM 3% OF LOAN AMOUNT)*

- 30 days interest
- 14 months hazard insurance
- Three (3) months property taxes
- Market Rate for Independent Home Inspection and one (1) Re-inspection fee

b. Down Payment: The minimum amount required for a FHA loan is **3.5% of the purchase price and** the maximum allowance for down payment for a **conventional loan** is **5%**. The City's Down Payment Assistance Program requires **a 1% down payment**.

c. Gap Financing: Gap Financing is available to all participants[1]. Gap Financing is not to be used as a cushion factor to make the loan more appealing to the buyer(s) and/or the participating lender. In most cases, Gap Financing is used to cover the "gap" or difference between the amount of loan the buyer can afford and the price of the selected house.

Gap financing is funding used when the price of the home selected has a purchase price that exceeds the applicant's "buying capacity" OR when the buy-down of the interest rate will enable the buyer to make the purchase.

Gap Financing can only be used for the following purposes:

- Assist in providing the difference between the sales price and the maximum loan the buyer can afford provided that, the selected house has a minimum appraisal equal to the amount of the contracted sales price. Gap funds cannot be used to buy down the price of the house to meet the appraised value.

- Assist in buying down the interest rate enabling the buyer to meet the maximum PITI established making the mortgage payment affordable to the buyer(s).

Under no circumstances will the City of Riverside over subsidize assistance provided to a buyer.

3. DOWN PAYMENT ASSISTANCE PROGRAM REQUIREMENTS (CALHOME MORTGAGE ASSISTANCE PROGRAM FUNDS)

PROGRAM DESCRIPTION

The City of Riverside's Down Payment Assistance Program has CalHome Mortgage Assistance Program (CalHome) funds available on a first-come, first-serve basis for down payment assistance to low income-qualified families to purchase their first home in the City of Riverside. With the cost of homeownership still out of reach for a number of lower income households, this program will provide the necessary assistance to bring a median price home within affordability limits. Program funds are limited as program funds are based on a revolving loan fund.

BORROWER ELIGIBILITY

- The Annual Income of the household receiving CalHOME funds shall not exceed 80% of the area median income (AMI) for the Riverside County area as determined annually by the California Housing & Community Development (HCD) (http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html, as may be amended from time to time.
- All sources of income for all members of the household including children must be submitted. Below is a list of some possible income sources and the paperwork needed for each. At least three months income documentation must be provided.

Type of Income	Form to complete and/or information to provide
Employment	Verification of earnings form and three month's pay stubs
Social Security, SSI, Disability, Worker Compensation, unemployment, education grants, any other federal or state supplemental income	Letter from appropriate authority stating amount being received
Veterans Administration, Active duty pay, GI bill benefits, or any other VA benefits	Letter from Military authority stating amount being received
Family Independence Agency	Verification of income
Child support and alimony	Verification of Income
Pension	Verification of Income - Pension form and pension statement
Self employed	See section on income tax return

- Each household member over 18 years of age must submit a copy of the last three year's Federal tax return, including copies of 1040 forms, W-2's and all attached schedules. If self-employed or seasonally employed, then they must submit the last two years of tax forms, W-2s and all attached schedules.
- Household must be a first-time homebuyer or cannot have owned a home in the last three (3) years. This will be verified through income tax returns and previous addresses listed on the credit report.
- Household cannot own any other real property
- Household credit – at 580 minimum or consistent with FHA guidelines.
- Households will be required to provide a down payment. A minimum buyer contribution of **1% of the total purchase price of the property** will be required from the borrower's personal liquid assets for borrower cash reserves:
    1. Borrower reserves must be seasoned for at least a full 3-month period and shall be based on the average daily balance of the account.
- The household must occupy the property as its primary residence.
- Each applicant must be a citizen or other national of the United States or a qualified alien as defined by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and 8 U.S.C. 1611 et. seq.

3. DOWN PAYMENT ASSISTANCE PROGRAM REQUIREMENTS (CALHOME MORTGAGE ASSISTANCE PROGRAM FUNDS)

INCOME LIMITS

The Annual Income[1] of assisted households cannot exceed 80% of the AMI for Riverside County as determined annually by the California Department of Housing & Community Development and may be amended from time to time.

# of Persons	1	2	3	4	5	6	7	8
80% of Median	37,550	$42,900	$48,250	$53,600	$57,900	$62,200	$66,500	$70,800

HOUSEHOLD SIZE

For purposes of figuring household income, eligible persons in the household will include all adults and children living in the home. Do not count non-related live-in caretakers paid from an outside source, foster children, unborn children, and children being pursued for legal custody or adoption who are not currently living in the household. A child who is subject to a shared-custody agreement and lives in the home 50% of the time can be counted. To prevent overcrowding, house capacity will be restricted to two persons per bedroom plus one for living space.

ELIGIBLE PROPERTIES

Any single-family residence, condominium unit, cooperative unit, or manufactured home on a permanent foundation and is considered real property within the Riverside city limits.

SALES PRICE LIMITS

The maximum purchase price cannot exceed the current median sales price for Riverside County.

**The maximum sales price is set at 100% of the current median sales price of a single family home in the County of Riverside and will be adjusted every six months in the months of May and November. The current median sales price is determined by using Corelogic, a government reporting source. The loan-to-value ratio for a mortgage assistance CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed one hundred (100) percent of the sales price plus a maximum of up to five (5) percent of the sales price to cover actual closing costs.*

NOTE: ***The City will not fund any loan where a previously accepted Purchase Contract has been amended to increase the sales price in exchange for sales concessions or credit for closing costs, etc.***

MORTGAGE CREDIT CERTIFICATE PROGRAM

Applicants are encouraged to submit an application for the Mortgage Credit Certificate (MCC) Program to the Riverside County Economic Development Agency. Award of down payment assistance is not contingent upon approval of MCC application. For program information, please call (951) 343-5469.

CONTRIBUTIONS

Contributions by interested parties such as sellers or builders are allowable. Furthermore, all contributions/concessions made by interested parties for the payment of closing costs, prepaid or property upgrades shall not exceed 3% in the event the Combined Loan-To-Value ratio (CLTV) exceeds 90% or 6% in the event the CLTV is between 76% to 90% of the purchase price or appraised value, whichever is less. Upgrades shall be completed prior to close of escrow or placed in an escrow account pending completion. Contributions cannot be used for the payment of debt, reserves or down payment. In the event a non-interested party makes the contribution, requirements for "Gifted funds" shall apply.

PROPERTY STANDARDS

The property must be free from any defects that pose a danger to the health or safety of occupants prior to the close of escrow. Minimum property standards are found in the *Housing Quality Standards*. Any incipient building code violations must be corrected prior to sale or occupancy.

***NOTE**: An exception would be made in the case of a FHA 203-k loan whereby Housing Quality Standards may be corrected subsequent to close of escrow. The applicant would then be required to complete improvements as stated in the FHA Rehabilitation Loan Agreement, and fulfill all other regulatory and occupancy requirements as determined by HUD. The City will have an inspector conduct an onsite inspection to ensure that all*

3. DOWN PAYMENT ASSISTANCE PROGRAM REQUIREMENTS (CALHOME MORTGAGE ASSISTANCE PROGRAM FUNDS)

	health and safety issues on the property have been addressed.
TRANSACTION TYPE	Purchase transactions only
LOAN TERM	▪ 30 years ▪ No payments until sale, rental, refinance, transfer, or conveyance of property ▪ 3% simple interest per annum ▪ Owner-occupancy is required
INTEREST RATE	▪ 3% simple interest per annum
MINIMUM LOAN AMOUNT	$1,000
MAXIMUM ASSISTANCE	▪ The City will provide no more than $50,000. **The City reserves the right to adjust loan amounts and percentages based on the type and amount of funds available in all funding sources.** ▪ Funds are available on a first-come, first-serve basis ▪ No City funds can be used for the payment of debt
FIRST DEED OF TRUST LOAN TERMS	▪ First Mortgage Product type: fixed rate 30-year fully amortizing loans only. Balloon, interest-only, adjustable rate, negatively amortizing loans, temporary buy-downs, or loans with prepayment penalties are **not allowed**. ▪ Maximum Loan Amount shall not exceed 95% of the median purchase price for a similar single-family residence in the Riverside area. ▪ Additional Liens: liens other than the approved First Trust Deed and the City loan(s) are not allowed with the exception of 203(k) loans. ▪ Impounds: Are required on the first mortgage loan. ▪ Lender Fees: Maximum fees to the Buyer of 1.25% origination, discount points for below par pricing only and $350 processing only. No other Broker or Administration fees are allowed. Other 3rd party fees that are reasonable and customary are allowable. ▪ FHA Loans: 1) Closing costs can be charged to the borrower per the FHA closing cost allowances; and 2) The maximum housing ratio (PITI) is 29%, unless otherwise approved by Delegated Underwriting (DU) or equivalent.
PROPERTY TAX AND INSURANCE CALCULATIONS	When determining the monthly amount of property taxes, fire and mortgage insurance premiums on all down payment assistance loans, the following standard factors will be used, unless documentation can be provided to justify actual figures: • Property Taxes: 1.25% of the purchase price, adjusted monthly • Fire Insurance Premiums: .3% (.003) of the loan amount, adjusted monthly • PMI or MI: actual amount, adjusted monthly
MINIMUM HOUSING RATIO	Known as the front end ratio. The minimum housing ratio is 28% of the applicant(s) monthly income.
MAXIMUM HOUSEHOLD EXPENSE	35% of the applicant(s) monthly income
MAXIMUM DEBT-TO-INCOME RATIO	Known as the back end ratio. ▪ 42% of the monthly income ▪ Co-signed, deferred and secured loans shall be included in the determination of the debt-to-income ratio unless paid or refinanced by a joint responsible party prior to/or at close of escrow.

3. DOWN PAYMENT ASSISTANCE PROGRAM REQUIREMENTS (CALHOME MORTGAGE ASSISTANCE PROGRAM FUNDS)

MAXIMUM COMBINED LOAN-TO-VALUE (CLTV)	100% of the purchase price or appraised value, whichever is less.
HOMEBUYER EDUCATION	▪ In-person education required through a HUD-approved Homebuyer Education Provider. ▪ A list of HUD-approved Homebuyer Education Provider's will be available to the Homebuyer by the City. ▪ A Certificate must be issued within the last 6 months.
ASSETS/RESERVE LIMITATIONS:	One percent (1%) of the purchase price in borrower liquid assets must be in reserves prior to the close of escrow. This is in addition to the 1% required buyer contribution.
NON-PURCHASING SPOUSE	The income, assets, debts, and liabilities of the non-purchasing spouse must be considered in qualifying the household. If the information of a spouse is not included on the 1003, a separate 1003, income, asset, and credit documentation must be provided. First-Time Homebuyer status must also be met.
COSIGNERS / COMORTGAGORS	Co-signers and co-mortgagors who do not intend to occupy the property are prohibited.
CREDIT	The credit history of all mortgagors and their spouses must meet the following: ▪ A 3-merge credit report is required; ▪ Minimum FICO score: Consistent with FHA; ▪ A Bankruptcy must be discharged for a minimum of 4-years (or 2-years if an exception from the City is obtained due to an extenuating circumstance); ▪ Judgments, collections, involuntary liens must be paid in full; ▪ No delinquencies in the past 24 months and no accounts can be currently past due; ▪ Limited or no credit will require non-traditional or alternative credit report from at least 4-creditors; ▪ A credit report of all persons taking title and non-purchasing spouses will be required.
SUBORDINATION	See Appendix C for Subordination Requirements
CITY FEES	No City or lender fees will be charged for the origination of a Down Payment Assistance loan.
PRE-QUALIFICATION	▪ The City will require prior Pre-Qualification of any Down Payment Assistance loan. The pre-qualification package must include at a minimum: 1003, credit or Delegated Underwriting findings, full income and asset documentation, bank statements, HUD-approved homebuyer education certificate, and Advance Loan Disclosure(s). ▪ Upon review and approval of the documentation submitted, the City will issue a pre-qualification letter to the participating lender and borrower that may be submitted with an offer to purchase. Pre-qualifications are good for 90-days from the earliest document dated in the pre-qualification package.
LOAN COMMITMENT (PRE-QUALIFICATION LETTER)	▪ A pre-qualified letter will be issued on a first-come, first-serve basis to households who have been pre-qualified by the City for down payment assistance. ▪ The pre-qualification letter has an expiration of 90 days: • After 90 days, the Loan Commitment funds are disencumbered and made available to the next qualified applicant.
REPAYMENT OF LOAN	The Down Payment Assistance funded loan (principal & interest) shall be due and payable at the earlier of the following events (unless approved in writing by the City): ▪ Sale, transfer, conveyance, payoff or refinance, rental of the property, and/or end of loan term.

3. DOWN PAYMENT ASSISTANCE PROGRAM REQUIREMENTS (CALHOME MORTGAGE ASSISTANCE PROGRAM FUNDS)

ASSUMABILITY	The loan is not assumable.
ACCELERATION	▪ The acceleration clause will be in effect when the property is no longer the principal place of residency of the eligible homebuyer, or upon discovery of willful misrepresentation or fraud in connection with the program. ▪ Rental of the property is prohibited and will cause the loan to be accelerated.
PENALTIES FOR APPLICANT/ LENDER MISREPRESENTATION	Any person making a material misstatement or misrepresentation in any affidavit or certification made in connection with the application for the City loan shall be subject to all applicable fines and penalties.
APPEALS/EXCEPTIONS	The City will review any appeals of rejected loans only if the review is requested by the applicant and the applicant has at least met all minimum eligibility requirements.
QUESTIONS	Questions regarding the Down Payment Assistance Program can be directed to the City of Riverside Housing Authority Division: ▪ 3900 Main Street, 3rd Floor, Riverside, CA 92522 ▪ Phone: (951) 826-5371 Fax: (951) 826-5981 ▪ http://www.riversideca.gov/housing/

4. City Loan Quality Commitment Policy

The City of Riverside invites the entire mortgage lending community to participate in the **City of Riverside Down Payment Assistance Program (DPAP)**. Participation will continue to be open to those mortgage lenders who uphold the following work standards:

- **Lender Contact**: Each Participating Lender will designate a Contact Person for each applicant branch designated on the Participating Lender List who is committed in marketing the City's DPAP and willing to answer questions.
- **Review City's DPAP Program Materials**: Participating Lender company personnel must review the City's Down Payment Assistance Program Operational Manual and program materials or receive training for the program before accepting any DPAP application packages. This training may include (but is not limited to):
    - Review of the Program Guidelines;
    - Review of City Bulletins, documents and forms;
    - Review of City's affordable ownership projects;
    - City training sessions (if applicable);
    - Personal or telephone correspondence with City staff.
- **Lender Contact Responsibilities: The Participating Lender contact person for each branch is responsible for**:
    - Distributing program changes to lender staff as they are updated;
    - Advising lender company staff of their obligations under the City's programs and must be prepared to submit all necessary documentation (as requested) in a timely manner;
    - Notifying the City of any re-assignment of contact person and/or changes in company location and or status.
- **Loan Commitment Expiration**: Expiration of a loan commitment without submission of the required paperwork must be addressed in a timely manner by:
    - Submitting the documents necessary to make the file current;
    - Canceling the pending loan with notification to the City; or
    - Requesting an extension of time.
- **Fair Lending**: Buyer's must be treated fairly, receiving a full and accurate explanation about the program. For questions that the lender cannot answer, the buyer can call the City at (951) 826-5371.

PLEASE NOTE:

- **Fraud/False Documentation**: Intentional submission of false, misleading or incomplete documentation will not be tolerated by the City and may result in barring an individual, company or vendor from participating in City programs indefinitely.
- **Requirements Not Addressed:** The City reserves the right to consider all factors in the review of a request for assistance and adjust program eligibility criteria accordingly. Such criteria may include, but not limited to: payment shock, job tenure, accumulation of assets, credit, ability to pay, risk to public funds, housing and debt-to-income ratios, market stability or decline, etc. Exceptions to non-regulatory program requirements may be requested and granted at the sole discretion of the City where multiple compensating factors are present.

5. FEE SCHEDULE

Lender Participation Fee	▪ $100 per Loan Officer ▪ $50 per Loan Officer transfer before term of contract
Lender Renewal Fee	$100 every two years (Consistent with Lender Participation Agreement)
Application Fees	$100.00 (To be applied to principal balance if approved)
Processing	No charge
Underwriting Fee	No charge
Document Preparation Fees	No charge
Wire Fees	$4.50
Wire re-issuance (if original wire is returned)	No charge
Subordination Fees (per loan)	$100.00
Subordination Re-Review Fee (after a Subordination has been issued)	$50.00
Beneficiary's Statement Fee	No charge
Demand Fee	No charge
Reconveyance Fee	$100.00
Loan Modification Fee	$10
Loan Assumption Fee	Not allowed
Verification of Mortgage	No charge
Document Copies	$0.25 per page
Postage or Overnight Mail	As applicable

6. SEQUENCE OF LOAN PROCESS

Step 1:	Potential buyer contacts a participating Lender from the City's list of Participating Lenders for pre-qualification application package	
Step 2:	Potential buyer attends homebuyer education class through a HUD-approved, in-person, Homebuyer Education Provider and obtains certificate	
Step 3:	Potential buyer considers and evaluates submittal of an application to the Riverside County Economic Development Agency for the Mortgage Credit Certificate Program	
Step 4:	Participating Lender submits potential buyer Application Packet (1003, 3-merge credit and DU approval, pay stubs, W2's, tax returns (signed), bank statements, approved homebuyer education certificate, advance loan disclosures) for a qualified household to the City's Community & Economic Development Department's Project Assistant for pre-qualification.	
Step 5:	The City's Project Assistant reviews application packet. If the packet is missing documentation, staff will send a letter to the lender requesting the missing documentation. Staff to respond within 10 business days upon receipt of a "complete" packet.	Up to 10 business days
Step 6:	If the application has been approved by the City, staff will prepare and mail an approval letter to the potential buyer and participating Lender, which lists all required 2nd phase documentation (identifying a property). Approval letters are good for **90 days** from the date of the letter. If application is not approved, City staff will notify participating Lender.	
Step 7:	Approved potential buyer locates a property for pending offer, subject to the terms of the approval letter from City.	
Step 8:	Participating lender submits the Part 2 Application with required documents to City.	
Step 9:	The City's Project Assistant reviews application packet. If the packet is missing documentation, staff will send a letter to the lender requesting the missing documentation. Staff to respond within 7 business days upon receipt of a "complete" packet.	Up to 7 business days
Step 10:	If property is approved, applicant opens escrow on the property and the City prepares loan documents, obtains potential buyer signature(s) on City loan documents and City signatures and submits to escrow.	Up to 21 business days
Step 11:	Escrow returns all City documents and conditions to City for execution.	Up to 7 business days
Step 12:	City requests down payment assistance funds to be wired within 72 hours after receipt of all PTC conditions or verbal/written request. The wire transfer request must be reviewed and approved by the Housing Project Manager, CEDD Fiscal Manager, and CEDD Deputy Director.	72 hours

APPENDIX A

7. DEFINITIONS: DOWN PAYMENT ASSISTANCE PROGRAM	
AFFIDAVIT	A deposition filed in connection with the program made under oath and subject to penalties of perjury.
AFFORDABLE HOUSING COST	The housing cost of a person or family purchasing a housing unit, defined under Title 25, Division 1, Chapter 6.5, Subchapter 2, §6920 of the California Code of Regulations.
APPLICANT	Any person who applies for City loan assistance.
AREA MEDIAN INCOME	Means the median family income of a geographic area of the state, as annually estimated by the California Department of Housing & Community Development (HCD), with adjustments for household size, as adjusted from time to time by the HCD. The Annual Income[1] of assisted households cannot exceed 80% of the AMI for Riverside County as determined annually by the California Department of Housing & Community Development and may be amended from time to time.
ASSETS	Cash or a non-cash item that can be converted to cash. Assets exclude necessary personal property.
BACK-END-RATIO or DEBT-TO-INCOME RATIO	Means the ratio between monthly household income and monthly housing costs plus all payments on long-term installment debt; including revolving debt payments.
CALHOME FUNDS	Funds received pursuant to the CalHOME Program under the California Department of Housing and Community Development (HCD), codified at Chapter 6 (commencing with Section 50650) of Part 2 of Division 31, Health and Safety Code.
CATASTROPHIC EVENT	1. An event such as a disaster which results from a terrorist or military action or a federally-declared major disaster or emergency, the City will consider (with all necessary approvals) taking one of the following actions on the City loan: a. Forgiveness of the total unpaid principal balance of the second mortgage and the release of the subordinate lien; b. The forgiveness of the portion of the unpaid principal balance of the second mortgage that results in the combined loan-to-value ratio being more than 100% of the value of the property and the release of that portion of the debt from the subordinate lien (as evidenced by the contemporaneous execution of a Modification Agreement that reduces the secured debt of the existing second mortgage); c. The release of the existing second mortgage lien, with no forgiveness of the debt, and the contemporaneous execution of an unsecured promissory note equal to the unpaid principal balance of the second mortgage or a Modification Agreement that makes the existing second mortgage an unsecured loan; or d. The release of the portion of the existing second mortgage lien that results in the combined loan-to-value being more than 100% of the value of the property, with no forgiveness of that portion of the debt, and the contemporaneous execution of an unsecured promissory note equals to the amount released from the second mortgage and a Modification Agreement that reduces the secured debt of the existing second mortgage by the amount of the new unsecured promissory note. 2. The "sold" price (after a catastrophic event) shall be determined by the actual sales price of the assisted-property plus any additional cash, in-kind services, personal property, etc. given for the purchase of the property.
CITY	The City of Riverside.
CITY PRE-QUALIFIED LETTER	A letter which is originated and issued by the City based on review and approval of the application package and lender's certification that the requirements necessary for issuance of a City loan have been met. A commitment will be valid for 90 days.
CURRENT APPRAISED VALUE	Is defined as the value of the property obtained from an independent appraiser licensed by the State of California. The City reserves the right to obtain an independent appraisal at its own expense.

APPENDIX A

7. DEFINITIONS: DOWN PAYMENT ASSISTANCE PROGRAM	
CURRENT SALES PRICE	Is defined as the price obtained for the property in the open market and shall include any thing of value given for consideration (e.g., cash, personal property, real property, etc.)
DEBT-TO-INCOME RATIO or BACK-END-RATIO	Means the ratio between monthly household income and monthly housing costs plus all payments on long-term installment debt; including revolving debt payments.
DISPLACED HOMEMAKER	An individual who is: a) an adult; b) has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; c) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.
DOCUMENTED CAPITAL IMPROVEMENTS	Is defined by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review and approval. Please contact the City of Riverside Planning Department to ensure that any Documented Capital Improvement meets current code and permits are obtained when required. You may also view permits online at http://aquarius.riversideca.gov/permits/Browse.aspx?dbid=1.
EFFECTIVE PERIOD	Means the period commencing on the date of this agreement and ending on the earlier of the repayment of the loan from the City of Riverside, or thirty (30) years after the recordation of the Deed of Trust.
EIGHTY PERCENT OF AREA MEDIAN INCOME	Means annual income which does not exceed eighty percent (80%) of the Area Median Income, adjusted for family size.
ELIGIBLE BORROWER	Any person meeting the criteria for an eligible borrower set forth in these guidelines, which is in the process of securing financing for the purchase of a principal residence.
ELIGIBLE DWELLING	Real property located within the City of Riverside. The unit must be designed as a residence for one household, and must meet property standards and criteria as set forth in this guideline.
EXISTING HOME (ALSO RESALE HOME)	A dwelling unit that has been previously occupied.
FAMILY	Means an individual, or two or more persons related by blood or marriage, or a group of unrelated individuals living together and bearing the generic character of a relatively permanent housekeeping unit in a dwelling unit as defined by HUD. See also "Household" below.
FIRST-TIME HOMEBUYER	Means an individual who has never or has not held an interest in real property over the last three years or had any present ownership interest in a principal residence. **Exceptions to First-Time Homebuyer status**: displaced homemakers; single parents who, while married, owned a home with her/her spouse or resided in a home owned by a spouse; persons who owned, as a principal residence, factory built housing (manufactured or mobile-home) that is not permanently affixed to a permanent foundation, or person who has not owned a home in the last three (3) years.
FRONT-END RATIO OR HOUSING RATIO	Means the ratio between monthly household income and monthly housing costs, including first mortgage principal, interest, taxes, and insurance. The Housing Ratio shall also include HOA dues, lease payments or space rent, mortgage insurance and subordinate lien payments, as applicable.
GROSS APPRECIATION	Is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value (as may be case in a refinance).
HOMEOWNER INVESTMENT	Is defined as the Seller's Cash Contribution plus any Documented Capital Improvements (approved by City).
HOUSEHOLD	Means one or more persons occupying the same housing unit (including Foster Care Children).
HOUSEHOLD SIZE APPROPRIATE TO THE UNIT	Shall mean the maximum occupancy for a unit, as further defined in 24 CFR 982.401(d)(2)(ii), as may be amended from time to time: at least one bedroom or living/sleeping room for each two person. Children of opposite sex, other than very young children, may not be required to occupy the same bedroom or living/sleeping room.
ISSUER	The City of Riverside
LENDER or PARTICIPATING LENDER	A financial institution, whether broker, retail, or wholesale, licensed to provide mortgage loans in the state of California. The institution must meet all the requirements established by the City to participate as a lender in the City Program.

APPENDIX A

7. DEFINITIONS: DOWN PAYMENT ASSISTANCE PROGRAM	
LIQUID ASSETS	Shall be defined as savings, checking, money market or stock accounts that are non-retirement, life insurance, non-loan or gift related.
LOAN	An extension of credit provided to an Eligible Borrower to finance the purchase of an Eligible Dwelling. (Dwelling and Borrower as defined in this guideline).
LOW-INCOME	A household with income not greater than 80% of the median income. **NOTE:** (Median income as established by the California Housing & Community Development for the area).
MAXIMUM SALES PRICE/VALUE LIMIT	The maximum sales price limit Is $342,000.
MONTHLY HOUSING COST	Means the average of the estimated costs for the next twelve months for a homebuyer and shall include all of the following: principal and interest on a mortgage loan including any rehabilitation loan, and any mortgage insurance fees associated therewith; property taxes and assessments; fire and casualty insurances; homeowner association dues; lease, or space rent payments. **NOTE**: the Monthly Housing Cost shall be reduced by monthly amount of approved Mortgage Credit Certificate and shall then apply to the Housing Ratio or Front-end Ratio.
MORTGAGE CREDIT CERTIFICATE	Means a certificate issued by or on behalf of the Riverside County Economic Development Agency pursuant to Section 25 of the Internal Revenue Code of 1986, as amended, and applicable state and local requirements. Contact the Riverside County Economic Development Agency at (951) 343-5469.
NET APPRECIATION or EQUITY	Is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the Documented Value of Capital improvements from the Gross Appreciation amount.
NEW HOME	A dwelling unit that is proposed to be constructed, is currently under construction, or is existing but has not been previously occupied.
ORIGINAL PURCHASE PRICE	Is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs, as listed on the Final HUD-1 Settlement Statement as the "Contract Sales Price" or "Total Consideration".
OWNERSHIP	Any of the following interests in residential property: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant that would constitute a present ownership interest if held by the Applicant.
PAYMENT SHOCK	Is a situation that occurs when the new proposed total monthly payment is sharply higher in percentage than the borrower's current housing/rent payment and is calculated as follows: • *The proposed total housing payment MINUS the current housing/rent payment, divided into the current housing/rent payment. This difference equals a percentage of "payment shock" over and above the current housing/rent payment.* • *For example: a proposed total housing payment is $1,900 MINUS current housing/rent payment of $900 equals a housing difference of $1,000. $1,000 divided by $900 equals a 111.12% payment shock or payment increase.*
PRINCIPAL RESIDENCE	(1) A single-family house; (2) a condominium unit; (3) stock held by a tenant-stockholder in a cooperative housing corporation (as defined in the Internal Revenue Code Section 216(b)(1) and (2); (4) occupancy in a multi-family building unit owned by the applicant; and (5) any manufactured home (including a mobile home) as defined under federal law which is installed at a fixed location. Principal residence does not include recreational vehicles, campers and other similar vehicles. The residence must be occupied as the primary home of the buyer.
PROHIBITED MORTGAGE	Any lien(s), other than the approved First Trust Deed and the City loan(s), are not allowed. Only those individuals who obtain a new first mortgage in conjunction with the Down Payment Assistance Program loan, on a purchase transaction, qualify for this loan.
PROPERTY STANDARDS	The minimum performance standards a property must meet for program eligibility. Standards are established in 24 CFR Part 882 (Housing Quality Standards). In addition, any incipient building code violations must be corrected prior to sale or occupancy. A copy of the federal Housing Quality Standards is contained within this document.
PROPERTY VALUE	The value of the eligible property as determined by sales price and/or a certified appraisal.

APPENDIX A

7. DEFINITIONS: DOWN PAYMENT ASSISTANCE PROGRAM	
PURCHASE PRICE	The cost of acquiring the residence. (Cost excluding usual and reasonable settlement or finance costs, and the value of services performed by mortgagor in completing the acquisition).
QUALIFYING HOUSEHOLD	A qualifying household cannot have an annual income that exceeds 80 percent of the AMI.
RELATED PERSON	Any party(ies) who may have a beneficial interest in the sale or financing of the subject property, other than a qualified lender.
SELLER'S APPLICABLE CLOSING COSTS	Include those costs of broker's commissions, escrow fees, title costs and fees, recording fees, etc.
SELLER'S CASH CONTRIBUTION	Is defined as cash deposited by the Borrower (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, etc., provided by an interested 3rd party.
SINGLE-FAMILY RESIDENCE	A housing unit intended and used for occupancy by one household.

APPENDIX B

FREQUENTLY ASKED QUESTIONS (FAQS)

Loan Terms

- **How long is the CalHOME loan for?**
  - The loan has a term of 30-years meaning that it will ultimately be paid to the City in 30 years. However, if the property is sold, rented or refinanced at any time, the principal amount of the loan is due.
- **How long is the affordability period for?**
  - The CalHOME Program does not have an affordability period.
- **Are there any payments on this loan?**
  - No. The loan will be "silent" and will be completely deferred until sale, rental, refinance, conveyance, or transfer of the property.
- **Is the CalHOME loan and/or interest forgiven?**
  - No
- **Does the CalHOME loan term allow refinancing?**
  - The borrower can refinance their first mortgage for the sole purpose of obtaining a lower interest rate. Refinancing the loan in order to take cash out is not allowed and will trigger repayment of the loan.

Income Eligibility

- **All of my client's income is from disability. Will they qualify for this loan?**
  - Your borrower may qualify to purchase using this program; however you will need to make sure that all program loan criteria are met.
- **Can my borrower have a co-signer to meet the housing and debt-to-income ratio requirements?**
  - Unfortunately not. We cannot use the income of anyone who will not be living in the property.
- **Why can't I give my borrower an adjustable rate loan on my first mortgage?**
  - The goal of the City is to allow first-time homebuyers to have the most predictable payment for the longest period of time and ARM loans generally conflict with this goal.
- **Can the 1% Reserve for emergency housing costs be gifted?**
  - No, only 2% of the total homebuyer contribution can be gifted.

Homebuyer Eligibility

- **My applicant has owned a home before with an ex-spouse during the last 3-years, but the property was sold due to a divorce. Do they still qualify?**
  - Yes, but only if your borrower is a "**Displaced Homemaker"** or a "**Single Parent"**. Documentation will be required.
- **Can my client qualify with zero credit?**
  - The Program Guidelines require that the Borrower's credit rating be consistent with FHA guidelines. However, zero credit does not necessarily mean bad credit. This situation will be reviewed on a case-by-case basis and will be determined by City staff.
- **If my client is not awarded assistance through the Mortgage Credit Certificate Program, do they become ineligible for down payment assistance?**
  - No. The requirement to apply for the Mortgage Credit Certificate (MCC) Program is to provide applicants with an additional means to further ensure affordability on their part. Even if applicants do not receive assistance through the MCC program, they are still eligible to receive down payment assistance.

Property Eligibility

- **Can my client purchase a home in nearby areas of Riverside County? (i.e. Moreno Valley, Corona, Hemet)**
  - No. This program is restricted only to properties that are within the Riverside city limits. Please contact the city of where the property is listed for down payment assistance programs.

APPENDIX C

SUBORDINATION REQUIREMENTS

This City of Riverside will subordinate Down Payment Assistance Program loans under the following conditions:

- New Loan Terms:

  FHA, VA, and Conventional no cash-out refinances where there is a reduction of PITI **and** an improvement in loan terms. Impounds on the new first mortgage will be required. In addition, the City will not subordinate to negatively amortizing, prepayment penalty, reverse mortgage loans, or financing subordinate to City liens.
- **Cash Back/Cash-Out:**

  Any loan proceeds in excess of 1% of the new loan amount must be applied as a principal-reduction payment to the new 1st mortgage balance at close of escrow.
- Documentation required for City review:
  (1) Copy of the new lender application (1003)
  (2) Copy of the appraisal
  (3) Copy of the preliminary title report
  (4) Copy of an accurate estimated closing statement from escrow
  (5) Copy of escrow instructions
  (6) Copy of the 1st mortgage Note (and Riders, if applicable)
  (7) Copy of the 1st mortgage payoff demand
  (8) Subordination fee of $100 per loan (effective May 15, 2003)
  (9) Any additional documentation that may be requested by the City/Housing Authority
- **Buy-Down Balances:**

  If the payoff of the 1st mortgage has a remaining interest rate buy-down balance currently in escrow, those monies must be applied to the payoff balance at close of escrow and may not be refunded to the borrower.
- **Exceptions:**

  In the event an exception to these Subordination Requirements is requested and granted, the City may require execution and recording of a Loan Modification Agreement, including any/all other applicable documentation necessary for approval, through close of escrow.
- **Re-Review after a Subordination Has Been Issued:**

  If loan terms change after a Subordination Agreement has been issued to the refinance Lender, Escrow Company or Title Company, there will be an additional fee of $50.00 for re-review of the proposed loan terms and issuance of a second or each subsequent Subordination Agreement.
- **Send all documentation to the City as follows:**

CITY OF RIVERSIDE
COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT
3900 Main Street, 3rd Floor
(951) 826-5371
(951) 826-5291 fax

The City will review the above documentation for compliance with existing guidelines and will generally render a decision within 3-7 business days of all requested documentation. A Subordination Agreement and any other applicable documentation will be issued by the City and will be forwarded to the escrow company with specific instructions for compliance, unless instructed otherwise.

APPENDIX D

GROSS INCOME CALCULATION WORKSHEET[1]

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:					
	Family Member		**A**	**B**	***C***
	(1) Gross Income Amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses:		$	$	$
	(2) Net Income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall NOT be deducted to determine the net income from a business):		$	$	$
	(3) Interest and Dividends;		$	$	$
	(4) Full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;		$	$	$
	(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (see subdivision (b)(3));		$	$	$
	(6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:		$	$	$
		(A) the amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus	$	$	$
		(B) the maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,	$	$	$
	(7)	Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. Court Ordered Income (Child Support, Alimony, etc.) shall be counted toward the total household income to determine program eligibility. if proof of source and receipt cannot be provided for a full 12-month period, housing and debt-to-income ratios and the amount of assistance will be reduced accordingly;	$	$	$
	(8)	All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse (see subdivision (b)(5)).	$	$	$
Where a family has net family assets in excess of $5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be ***excluded****.*					
	Income from assets in excess of $5,000 (if not liquidated for the purpose of this transaction) at:		$	$	$
(b) the following items **SHALL NOT** be considered as income:					
	(1)	Casual, sporadic or irregular gifts;			
	(2)	Amounts which are specifically for or in reimbursement of the cost of medical expenses;			
	(3)	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;			
	(4)	Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposed of which are available for subsistence are to be included in income;			
	(5)	The special pay to a serviceman head of a family away from home and exposed to hostile fire;			
	(6)	Relocation payments made pursuant to federal, state, or local relocation law;			
	(7)	Foster child care payments;			
	(8)	The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;			
	(9)	Payments received pursuant to participating in the following volunteer programs under the ACTION Agency:			
		(A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.			
		(B) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).			
NOTE*: Authority cited: Section 50053 and 50093, Health and Safety Code. Reference: Sections 50052.5, 50053 and 50093, Health and Safety Code.*					

[1] As required per California Code of Regulations Title 25, Division 1, Chapter 6.5, Subchapter 2, §6914 "Gross Income".
"Gross income shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a re-determination at the end of such a period. "Income" shall consist of the following"

2015 ANNUAL INCOME LIMITS

# of Persons	1	2	3	4	5	6	7	8
80% of Median	37,550	$42,900	$48,250	$53,600	$57,900	$62,200	$66,500	$70,800
50% of Median	$23,450	$26,800	$30,150	$33,500	$36,200	$38,900	$41,550	$44,250
30% of Median	$14,100	$16,100	$18,100	$20,100	$21,750	$23,350	$24,950	$26,550

A household member is considered to be one who will reside/live in the house as their primary residence.[4]

When determining the number of household members, DO NOT COUNT any of the following as household members, nor any income received from them:

- ***Foster children***
- ***Live-in aids and children of live-in aids***
- ***Unborn children***
- ***Children being pursued for legal custody or adoption, which are not currently residing at home[5]***

Annual (gross) income includes[6]:

- Wages (Bonuses and Commissions); Salaries (including Overtime Pay); Tips
- Taxable Interest; Dividends;
- Taxable refunds or credits
- Alimony received
- Business income or (loss)
- Capital gains; IRA Distributions; Pensions; Annuities
- Rental real estate; royalties, partnerships, S corporations, trusts, etc.
- Farm Income or (loss)
- Unemployment Compensation
- Social Security benefits (all types)
- Other income such as: taxable distributions from a health savings account, prizes and awards, gambling winnings, including lotteries, raffles, lump-sum payment from the sale of a right to receive future lottery payments, amounts of canceled debts, etc.

Applicants are required to disclose all sources and amounts of income regardless whether or not it is to be considered basis for repayment of the primary mortgage loan.

For participation in HAP, use the chart below to determine income eligibility by first identifying the number of persons in the household then the amount equal to the IRS definition of "adjusted gross income" [line 37] on the IRS Form 1040 long form. If the household income is equal to or less than the amount listed for the total household members, the household could be eligible to participate in the program[7]

VERIFICATION OF ANNUAL HOUSEHOLD INCOME AS USED TO DETERMINE PROGRAM ELIGIBILITY

The income inclusions and exclusions allowed under the IRS 1040 definition of income are subject to change from tax year to tax year, and as such cannot reflect all updates each tax year. Applicants should consult the IRS web site for the most current updates at www.irs.gov.

IRS Form 1040 Adjusted Gross Income Inclusions

- Wages, salaries, tips, etc.
- Taxable interest

[4] Primary Residence is defined as "residency exceeding 21 calendar days from the date of arrival".
[5] A child that is subject to a shared-custody agreement in which the child resides with households at least 50 percent of the time will be counted as a household member.
[6] Consult the IRS web site for the most current definition of income at www.irs.gov.
[7] A complete application and verifying documents must be reviewed and approved by City of Riverside Housing & Neighborhoods Division

- Dividends
- Taxable refunds, credits or offsets of state and local income taxes. *There are some exceptions-refer to Form 1040 instructions*
- Alimony (or separate maintenance payments) received
- Business income (or loss)
- Capital gain (or loss). *There are some exceptions – refer for Form 1040 instructions*
- Other gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold)
- Taxable amount of individual retirement account (IRA) distributions. (Includes simplified employee pension [SEP] and savings incentive match plan for employees [SIMPLE] IRA.)
- Taxable amount of pension and annuity payments
- Rental real estate, royalties, partnerships, S corporations, trusts, etc.
- Farm income (or loss)
- Unemployment compensation payments
- Taxable amount of Social Security benefits. Other income, including prizes and awards; gambling, lottery or raffle winnings; jury duty fees; Alaska Permanent fund dividends; reimbursement for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from an activity not engage in for profit

In the event that household members are required to file separate income tax returns (i.e., not considered a dependent of the head of household, an individual that cannot be claimed as a dependent of the head of household or has annual earnings that require that person to file a separate tax return) the City of Riverside Down Payment Assistance Program (DPAP) will require a copy of the annual tax return for each filing individual.

IRS Form 1040 Adjusted Gross Income Exclusions

- Child support.
- Money or property that was inherited, willed or given as a gift.
- Life insurance proceeds received as a result of someone's death.

ALLOCATION OF FUNDS AND TIME ALLOTMENT FOR EXPENDITURE

Upon a determination of eligibility to participate in the program, the Housing Authority Division will issue a pre-qualification letter indicating that a DPA Program allocation will be set aside in the qualifying applicant(s) name. This letter will be sent to:

- the Buyer by U.S. Mail*
- the Mortgage Lender by email*

The approval letter will indicate the expiration date of the allocation. This date will be a total of 90 days, which commences on the date the application packet is approved and an allocation is set aside. The transfer of property [purchase and close on the loan] must be completed within the 90-day time period; in the event that the property is not transferred to the applicant/buyer(s) by the specified date, the allocation will be lost and the applicant's file will be closed. The buyer(s) may reapply to the program, which requires the application process to be followed again, and the submission of a new application and income documentation.